

# It's Your Business

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## INSIDE THIS ISSUE:

- Sen. Johanns speaks at SCORE luncheon* 2
- A taste of Mexico made in Gretna* 3
- Business booming for Geothermal Green Team* 3
- Top Minority Business Person receives award* 4
- Kearney printers take business in New Direction* 5

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Your Small Business Resource

## Survey: Need For Financing, Training in Business Knowledge and Planning Top Concerns For Rural Small Businesses

A new survey suggests lack of sufficient capital and taking on more debt remains a concern for Nebraska's rural small businesses.

That was one of many findings from the 2010 Small Business Needs Assessment, a biennial survey administered from February to April by the Center for Rural Affairs, sampling opinions of nearly 250 small business owners, 100 lenders and 36 business technical service providers in rural Nebraska.

The results were released during a business roundtable discussion hosted by Rep. Adrian Smith (R-Neb.) in Grand Island Aug. 25.

"Now – more than ever – Nebraska needs small businesses," said Rep. Smith.

"Those willing to invest in their communities, provide jobs for their neighbors, and help create a better future. Quite frankly, they are the lifeblood of our economy. This survey will be a valuable tool for ensuring available resources are better

directed to meet the needs of small business owners to build and strengthen their businesses."

The purpose of the survey was to gather information from both business owners and the people that serve them. The data and the survey findings also will assist the Center for Rural Affairs, and its Rural Enterprise Assistance Project (REAP), as well as partners such as the U.S. Small Business Administration, to help better tailor programs to fit the needs of Nebraska's rural small business climate.

"The ultimate goal of any business development initiative or program should be to help build sustainable businesses in communities and neighborhoods," said Jon M. Bailey, Rural Research and Analysis Director for the Center for Rural

Affairs. "The survey results show significant challenges to meet this goal, but we know better where to target our resources to do the most good."

While access to capital for rural small businesses may reflect the current economic climate, it also represents a critical and seemingly ongoing challenge for rural small businesses and the overall economy. According to a March survey by the U.S. Small Business Administration's Office of Advocacy, over a recent 15-year period, small businesses created a conservative estimate of 65 percent of net new private sector jobs.

Most rural small businesses in Nebraska

lack large revenue streams. Nearly 60 percent of business owner respondents reported their business made less than \$100,000 in gross sales in the most recent business year, and the largest number reported sales of less than \$25,000.

Financial challenges found by respondents in the gross sales categories

below \$100,000 raise warning signs for these businesses and their rural communities.

"The need for working capital is a natural response for start-up or less experienced businesses, but for capital issues to remain after a business is established is both a reflection of the current economy and the nature of operating a small business in a rural place," Bailey said.

"How businesses respond to these financial challenges, with the assistance of business development programs and public policy, is critical for the rural economy," Bailey continued. "If established businesses are facing these challenges, we have to find solutions to keep them in business in their communities, and find (see SURVEY, page 2)

*"How businesses respond to these financial challenges, with the assistance of business development programs and public policy, is critical for the rural economy. If established businesses are facing these challenges, we have to find solutions to keep them in business in their communities, and find incentives for start-up businesses in similar communities that may face identical challenges."*

## MARKETING, ADVERTISING TRAINING DESIRED BY RURAL SMALL BUSINESS

(from *SURVEY*, page 1)  
incentives for start-up businesses in similar communities that may face identical challenges.”

Business knowledge and planning and financial issues are the primary difficulties faced by start-up businesses; nearly 70 percent of survey respondents claimed a lack of start-up cash as a chief difficulty faced in starting a business. Financial issues were the top-ranked difficulties for agriculture, online and construction small businesses. Business knowledge and planning issues were the top-ranked difficulties for service, retail and manufacturing small businesses.

Marketing and advertising were by far the most popular choice for training and assistance that would improve small businesses. Business plan development, legal issues, succession planning, and intermediate bookkeeping followed in popularity.

While business knowledge and planning issues were major challenges for rural small businesses in the start-up phase, these challenges continued even as a small business grows and matures. Throughout the survey, whether by business age, business type or amount of sales, rural small business owners expressed a need for training and assistance on business knowledge and planning issues, indicating many start a

small business with little planning or business knowledge.

Even rural small business owners who are successful to a degree recognize the need for such training and assistance if the business is to grow and be more financially stable.

Nearly 80 percent of rural small businesses with employees who answered the survey do not offer employee health insurance benefits; cost is the primary reason, although many did not offer such plans because employees were covered by other health plans. Moreover, the survey found 15 percent of small business owners were not covered by health insurance. Those that do enjoy health coverage often are covered on a group plan through another member of the household, such as a spouse, or by purchasing an individual health insurance plan.

Social networking technology, including sites such as Facebook and Twitter, has a surprisingly large usage among rural small businesses. These technologies likely will continue to grow in popularity, making it wise for small business development initiatives to incorporate them into their dealings with their small business clientele.

“We have a challenge to balance the needs of most of our business owners who prefer traditional face-to-face and one-on-one assistance with new technology that enables our program to reach a greater

number of people,” said Monica Braun, REAP Women’s Business Center Director.

Finally, while only 11 percent of rural small business owners said they were within 10 years of exiting their business, double that number claimed succession planning as the current greatest need of their small business, and nearly a third of respondents chose succession planning as a subject of needed training.

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

REAP is a statewide rural microenterprise development organization started in 1990, initially designed to address challenges to the rural economy due to the farm crisis of the 1980s and early 1990s, and to capitalize on the entrepreneurial spirit of people in rural and small town Nebraska.

REAP received funding and the designation of the Women’s Business Center from the U.S. Small Business Administration in 2001. The WBC has enhanced the ability of REAP to meet the training needs of small businesses in rural Nebraska.

From Oct. 1 to Aug. 1, the Rural Enterprise Assistance Project’s Women’s Business Center made 41 microloans for \$373,350. Of those loans, 24 went to start-ups, while 17 went to existing businesses. Over the same period, SBA’s four microlender partners (REAP, Community Development Resources, Omaha Small Business Network and the Nebraska Enterprise Fund) made 66 microloans for \$908,000, with an equal number going to start-ups and existing businesses.



## SEN. JOHANNS SPEAKS AT SCORE LUNCHEON

Dan Donovan (left), chairman of the Omaha SCORE Chapter #40, presents U.S. Senator Mike Johanns with an honorary membership certificate during the chapter’s monthly luncheon Aug. 19 at the Regency Lodge. Sen. Johanns stopped off at the luncheon near the end of a two-week long swing through the state. He spent more than 30 minutes offering a presentation on the President’s proposed Fiscal 2011 federal budget and took time for a question-and-answer session touching on several concerns for Nebraska small business entrepreneurs, including provisions of the Affordable Health Care Act, new federal mandates and taxes.

In fiscal 2010 to date, there have been 31 SBA-backed loans to minority-owned small businesses in Nebraska, representing more than \$6.5 million in loan volume, and creating 80 new jobs.

If you're interested in previous editions of **It's Your Business**, we've got them [available online](#)

## A TASTE OF MEXICO MADE IN GRETNA

From the first crunch of the tortilla chip dripping with savory salsa, you know you're tasting some delicious, locally-made goodness. The smells of the fresh chips off the production line waft from the small warehouse in suburban Gretna out to the small surrounding parking lot, and out back, another truck is loaded up for delivery to one of more than 100 stores in 14 states.

Melina's Mexican Salsa & Chips is growing, successful business that does an estimated \$500,000 in sales a year. But the idea for the delectable products now found in the health food sections of grocery stores throughout the region came from a small store in Monterrey, Mexico, where Elia Rivera's godmother would serve homemade salsa along with tostadas and lemon to her customers.

Years later, working in a corporate office in the Chicago area, her supervisor asked Rivera to bring in a dish for a potluck. She mixed up a batch of her godmother's salsa recipe, and the reception was so positive she soon was busy making bigger batches to sell to the office staff; after two years, the demand was so great that she outgrew her kitchen. In 2001, seeking some advice on her burgeoning small business, Rivera

(see *Melina's*, page 4)



Elia Rivera in front of her Gretna warehouse, where inside, thousands of bags of chips are manufactured for shipment across four states.

## BUSINESS BOOMING FOR GEOTHERMAL GREEN TEAM

There's been plenty of work this year for [Geothermal Green Team](#), a veteran-owned engineering firm working out of a cramped office on the second floor of a warehouse in Gretna. Since the purchase of a sonic drill in November 2009, thanks in part to an SBA-backed loan for \$540,000 through Wells Fargo, business has been booming.

Since the sonic drill is faster and pierces deeper into the ground, Geothermal Green Team has an edge over its competition, even winning a contract to finish a job in June at the Iowa governor's mansion in Des Moines. Three competitors over four days failed to dig a 200-foot hole to install geothermal pipe; the Green Team finished in two hours.

Drilling several holes 500 feet into the near-constant 50-degree ground, workers stretch a length of polyethylene pipe from inside a home, or commercial building, to the surrounding soil and back. While a common air conditioner in the steamy Nebraska summer draws the warm air inside to be cooled, geothermal units circulate the cooler ground temperatures.

In the winter, the savings are even greater,

comfortably warming the ground temperature circulating through the geothermal pipes rather than the bitter cold outside air.

Last July, the firm won a job at Boys Town to install systems in 16 residents' homes.

Since the purchase of the drill, the company has hired seven new employees, including two drill operators, two drill assistants, a truck driver, a sales person and an administrative assistant. Geothermal Green Team is awaiting word on four "large jobs," Volk said, and if they get the contracts, they'll hire three or four more people. They have potential jobs in Nebraska and Iowa – and a couple in Washington state and California. If those jobs come through, Volk added, the company could clear between three and four million in revenue this year.

Already, Geothermal Green Team has finished jobs at the Muscatine, Iowa, county jail, the Shelter House in Iowa City, and the Burr Oak Lodge and Conference Center. Later this year, the company has plans to install geothermal units at Offutt Air Force Base, and the riverfront park and a downtown grocery outlet in Des Moines.



(from *Melina's*, page 3)

completed SCORE's pre-business workshop and, through the Women's Business Development Center, found a co-packer in Union, Ill. to manufacture the salsa in large batches, an arrangement that continues to this day. She also got some advice on tortilla chip manufacturing, a perfect match for her mild, medium and hot salsas.

She named her company after her daughter, and now was ready to jump "out of the kitchen and into the grocery stores," Rivera said.

Melina's tortilla chips are all natural and gluten free, and the salsa is made from tomatoes, onions, garlic and peppers. The bags of chips have only a 90-day shelf life, but Rivera said, "they don't sit on the shelves for long."

By 2005, a longtime friend suggested expanding from the Chicago area to Nebraska, where the leasing costs were cheaper, and competition was less fierce. Rivera asked the manager at the Hy-Vee store at 36<sup>th</sup> and L Street in Omaha if she could set up a table to offer free samples of her products to passing customers; all the store manager could promise that if the sales that weekend went well, he'd give her shelf space.

She got her space.

Toting her salsa jars, bags of chips and multicolored tablecloths from one store to another, playing maracas and singing traditional songs, she eventually got her salsa and chips in Hy-Vee grocery stores in Nebraska, Iowa, Illinois and Indiana.

One grocery store in nearby Papillion has sold 7,000 units of Melina's Mexican Chips &

Salsa over the last three years.

Rivera got a \$5,000 SBA Express loan through Banco Popular North America in Melrose Park, Ill., in September 2007 for a line of credit as she continued to grow her business.

And her business already has outgrown the old warehouse in Omaha she had leased since she expanded to Nebraska. Rivera needed something with comfortable office space and room for trucks to dock, and found what she needed in nearby Gretna. In meeting with the property's leasing agent, Rivera was delighted to discover the agent was a longtime fan of Melina's Mexican Salsa & Chips.

Since the middle of May, when Rivera moved her operations to Gretna, to the end of July, her company sold 27,000 bags of chips.

"I want to expand to tortilla, tostada and taco shell production now," Rivera said, and expects to do so shortly.

Rivera hopes to get the capital by the end of the year to purchase kettles and the rest of the Gretna warehouse property to bring the salsa manufacturing operations to Nebraska.

Manufacturing for chips and salsa have to be separate, however, because moisture generated by salsa production would ruin tortilla chips.

Her company also keeps three restaurants in Chicago supplied with chips and salsa; Rivera has been so busy just keeping up with the demand from grocery stores she hasn't pursued putting her products in Nebraska restaurants yet. She has seven full-time employees, and is looking for part-time help for the production line.

In an entertaining video [on her company's YouTube site](#), Rivera said: "I look forward to serving all of the grocery stores in the United States ... and beyond."

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SBA Nebraska District Office & SCORE

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- SBA Office of Business Opportunity
- NBDC Procurement Technical Assistance Center
- In cooperation with
- 55th Contracting Squadron, Offutt Air Force Base
- U.S. Army Corps of Engineers, Omaha District

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**What to do:** Registration on [Central Contractor Registration](#).

**Where and how to find bidding opportunities on the Internet:** Learn about [Federal Business Opportunities](#).

**U.S. Small Business Administration certifications:** HUBZone and 8(a) Business Development.

Coffee provided.

## TOP MINORITY BUSINESS PERSON RECEIVES AWARD

Kathleen Piper (*left*), the Nebraska District Office's 8(a) Business Development Program Director, presents Lance Morgan, president of All Native Services, a certificate recognizing Morgan as the Region VII Minority Small Business Person of the Year during a ceremony in Winnebago August 11. All Native Services is a tribal-owned provider of managed and professional services, and voice and data communication solutions. The company has an international presence with more than 300 employees in four countries.



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Since the start of the Recovery Act in February 2009, until the provisions expired May 31, **2,240** jobs were created in Nebraska from Recovery Act-funded SBA-backed loans.

## KEARNEY PRINTERS TAKE BUSINESS IN A NEW DIRECTION

A husband and wife team that recently started their own firm with 40 years of combined experience in the printing industry, New Direction Printing is a family-owned and operated company in Kearney. The company boasts a capacity to ship jobs across the nation and around the world, specializing in thermography and serves as a contractor for printing companies across the state.

Cory and Christy Johnson advertise their business through an attractive [website](#), and have embraced social media, such as [Facebook](#).

New Direction sought financing from Geneva State Bank in Kearney to expand its operations into mass production printing. Purchasing new computers and printers would enable the company to take on jobs such as invitations, flyers, newsletters and other full-service jobs.

Scott Geiger, the bank's vice-president and branch manager, prepared a detailed SBA loan application for New Direction. The package submitted to the processing center included what Geiger called a "global" cash flow analysis, with both personal and business income statements, balance sheet and debt-to-income ratio, paperwork the bank requires for such a small business operation. Geiger also projected two additional years of revenues and expenses, then "smashed" the personal and business information, combining financial statements from the couple and the company.

Nevertheless, the processing center rejected Geiger's application, and the lender reached out April 12 to Deborah Wilson in the SBA's Nebraska District Office.

"When I submitted it, I thought it was a slam dunk," Geiger said. "The guy has been working in printing for 20 years, he just went on his own last



year, and broke even in his first year of operations. Plus, he had 50 percent loan-to-value on his house as collateral. I would take this any day."

Over the next few weeks, involving "five or six conversations" over the phone and through e-mails, Geiger said, Wilson served as an effective liaison between Geneva State Bank and the processing center. In particular, Wilson untangled two aspects of the application: one which misled the center into using the salaries the owners would pay themselves as gross revenues, understating the company's potential cash flow; another which undervalued the personal collateral pledged to the loan by the husband and wife owners.

"I know lenders aren't always the easiest to deal with since we think our loan is the most important at the time," Geiger admitted, "but she keeps perspective about it all the time."

Wilson's work with the lender was worth it. New Direction Printing was approved May 18 for two Rural Lender Advantage loans: one for \$100,000 for initial start-up capital and another for \$11,000 to purchase a new vehicle for the business. Both loans were granted under Recovery Act provisions.

**Join other Omaha small businesses and area lenders at  
Omaha's Small Business Empowerment Breakfast  
September 10 (second Friday of each month)  
Regency Lodge, 909 South 107th Avenue, Omaha  
7—8:30 a.m.**

The cost is \$14 per person, which includes a full buffet breakfast.

[Please register in advance online](#), and make checks payable to Regency Lodge.

The Empowerment Breakfast is simple and effective. Each month, four businesses introduce their services and products in a three-minute presentation. If you wish to be a presenter, please call Barb Foster at 221-7212. During this event, everyone attending is introduced, so bring your business cards, make some contacts, and have some fun!

## CONGRATULATIONS TO OUR RECENT LOAN APPROVALS (JULY 19 TO AUGUST 23)

Approval Date	MajPrg	Net Gross	Lender Name	Lender City	Delivery Method
7/20/2010	7A	40000	FIRST NATIONAL BANK OF OMAHA	OMAHA	SBA Express
7/21/2010	7A	140700	WELLS FARGO BANK NATL ASSOC	SIOUX FALLS	PLP
7/21/2010	7A	30000	FIRST NATIONAL BANK OF OMAHA	OMAHA	Patriot Express
7/22/2010	7A	102000	NORTHWEST BANK	SPENCER	Other 7(a)
7/26/2010	7A	250000	ENTERPRISE BANK NATL ASSOC	OMAHA	RLA
7/27/2010	7A	198400	WELLS FARGO BANK NATL ASSOC	SIOUX FALLS	PLP
7/27/2010	7A	40000	AMERICAN NATIONAL BANK	OMAHA	PLP
7/28/2010	7A	50000	FIRST NATIONAL BANK	NORTH PLATTE	SBA Express
7/28/2010	7A	75000	FIRST NATL BK - HOLDREGE	HOLDREGE	RLA
7/29/2010	7A	15000	SUPERIOR FINANCIAL GROUP, LLC	WALNUT CREEK	Patriot Express
7/29/2010	7A	20000	U.S. BANK NATIONAL ASSOCIATION	CINCINNATI	SBA Express
7/30/2010	7A	50000	UNION BANK AND TRUST COMPANY	LINCOLN	SBA Express
7/30/2010	504	176000	NEBRASKA ECONOMIC DEVEL CORP	LINCOLN	504
7/30/2010	7A	112000	VALLEY BANK AND TRUST COMPANY	SCOTTSBLUFF	Other 7(a)
8/2/2010	504	650000	NEBRASKA ECONOMIC DEVEL CORP	LINCOLN	504
8/4/2010	7A	13500	FIRST NATIONAL BANK OF OMAHA	OMAHA	SBA Express
8/4/2010	7A	1417000	WELLS FARGO BANK NATL ASSOC	SIOUX FALLS	PLP
8/6/2010	7A	320000	PEOPLES-WEBSTER COUNTY BANK	RED CLOUD	SBA Express
8/6/2010	7A	167700	ACCESS BANK	OMAHA	Other 7(a)
8/11/2010	7A	56000	ADAMS BANK & TRUST	OGALLALA	Other 7(a)
8/11/2010	7A	494000	AMERICAN NATIONAL BANK	OMAHA	PLP
8/13/2010	7A	80400	HOME FED. S & L ASSOC - GRAND	GRAND ISLAND	SBA Express
8/13/2010	7A	15000	HOME FED. S & L ASSOC - GRAND	GRAND ISLAND	SBA Express
8/16/2010	7A	240000	SECURITY NATL BK - OMAHA	OMAHA	RLA
8/16/2010	ARC	22900	BANK OF BENNINGTON	BENNINGTON	ARC
8/16/2010	7A	40000	ACCESS BANK	OMAHA	Other 7(a)
8/16/2010	7A	104000	PLATTE VALLEY ST. BK & TR CO	KEARNEY	SBA Express
8/16/2010	7A	10000	PLATTE VALLEY ST. BK & TR CO	KEARNEY	SBA Express
8/18/2010	7A	125000	BANK OF KEYSTONE	KEYSTONE	SBA Express
8/19/2010	ARC	35000	FIRST NATL BK & TR CO - COLUMB	COLUMBUS	ARC
8/20/2010	7A	40800	NORTHWEST BANK	SPENCER	Other 7(a)